

North Dakota Public Employees Retirement System

Benefits Guide for
Political Subdivision Employees

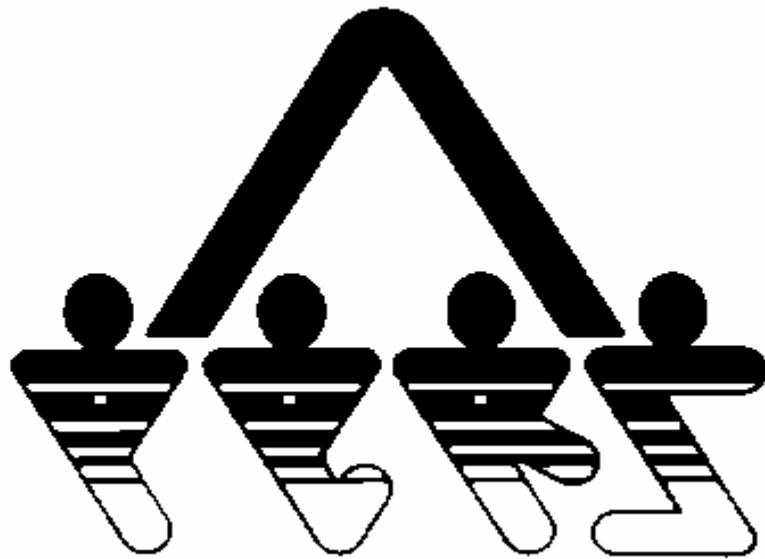
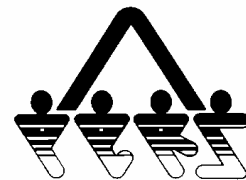


Table of Content



Defined Benefit Plan	1
Retiree Health Insurance Credit	4
Deferred Compensation Supplemental Retirement Program	5
Group Health Insurance “Dakota Plan”	7
Group Life Insurance	10

This brochure is intended to provide general information and may not be considered a legal interpretation of law. Statements contained in this brochure do not supersede the North Dakota Century Code, Administrative Code, official plan documents, or restrict the authority granted to the Retirement Board. This information is subject both to changes made by state and federal legislation and rules and regulations established by the Board of the North Dakota Public Employees Retirement System.

For information on plan provisions, visit our website at discovernd.com/ndpers

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Defined Benefit Hybrid Plan



In the Defined Benefit Hybrid plan, an account is established on your behalf and contributions are made to the account by you and your employer. If you are vested, you are guaranteed a benefit at retirement, which is generally based on your compensation, benefit multiplier, and your years of service. The more years of service, the greater the benefit. You will receive the benefit determined under the plan regardless of the performance of the plan's investments.

Eligibility:

Eligible employees are those who are at least 18 years of age, work at least 20 hours per week for 20 or more weeks per year, and whose positions are regularly funded and not of limited duration (i.e., permanent). Employees who do not meet these requirements may participate in the retirement plan; however, they are responsible for their total retirement contribution.

Enrollment:

Eligible employees must enroll at the date of hire and retirement contributions must begin with the employee's first paycheck. Employees who do not meet the eligibility requirements can participate at their own cost, but must elect to enroll within the first six (6) months of beginning employment or experiencing an employment change in status.

Public Employees Retirement Plan N.D. C.C. Chapter 54-52

Contributions:

Employee Contribution:	4.00% of salary
Employer Contribution:	4.12% of covered payroll

Vesting:

To be vested in the Defined Benefit Hybrid Plan means that you have become legally entitled to a monthly benefit when you terminate employment and reach retirement age or qualify for long-term disability.

Vesting in Disability Benefit:	180 days
Vesting in Retirement Benefit:	36 months

Portability Enhancement Provision (PEP)

N.D.C.C. Chapter 54-52-11.1

Vesting in the Employer Contribution:

As an active member in the Defined Benefit Hybrid Plan, individuals are able to vest in the employer contribution for cash distribution purposes by participating in a deferred compensation (457) program, 403(b) or other qualified retirement savings program approved by the NDPERS Board. The vesting schedule for the PEP contributions is based upon your existing service credit in the retirement program and the amount you defer into a qualified deferred compensation plan. See the following schedule for details:

Retirement Service Credit	Minimum Vesting Contribution	Maximum Vesting Contribution
0 – 12 months	\$25	1% of gross salary
13 – 24 months	\$25	2% of gross salary
25 – 36 months	\$25	3% of gross salary
37 + months	\$25	4% of gross salary

BENEFITS AT TERMINATION OF EMPLOYMENT:

Member Account Balance: Refund/Rollover of your member account balance, which consists of the monthly employee contributions, the vested portion of employer contributions, and interest. This interest is compounded monthly up to the time a refund/rollover is issued. The interest paid on your account is currently 7.5% annually and builds on a tax deferred basis.

Long Term Disability Benefits: If you are deemed eligible for disability benefits, you will receive 25% of your final average salary each month for as long as you are disabled under the basic disability payment option. The minimum benefit is \$100 per month.

Surviving Spouse Benefits: If member dies after completing 36 months of credited service, the member's spouse may elect to receive:

- (a) Refund/Rollover of member's account; or
- (b) 100% of member's unreduced retirement benefit for 5 years; or
- (c) 50% of member's unreduced retirement benefit for life; or
- (d) Equivalent of 100% joint & survivor option if member had reached normal retirement age.

BENEFITS AT RETIREMENT:

Early Retirement Age: 55

Normal Retirement Age: 65

Rule of 85: Age + Years of Service = 85 or more
No reduction in benefits for early retirement; there no minimum age requirement.

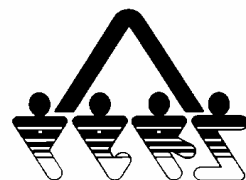
Retirement Formula: Final Average Salary X 2.00% X Years of Credited Service

Final Average Salary = Average of highest 36 salaries of the last 120 months you worked.

Benefit Multiplier = The rate established by the legislature at which you earn benefits.

Retirement Options:

- Single Life
- Joint & Survivor 50% & 100%
- Term Certain 5 & 10 Year
- Social Security Level Income



Retiree Health Insurance Credit

N.D.C.C. Chapter 54-52.1-03.2

Eligibility:

Members receiving a retirement allowance from the Defined Benefit Hybrid Plan or the Defined Contribution Plan are eligible to receive a credit towards their monthly health insurance premium for the state health plan equal to \$4.50 for each of the member's years of credited service, subject to early retirement reductions. For example, a member with 20 years of service at normal retirement age would receive a monthly credit of \$90, which is a tax-free benefit. A receiving member is eligible for coverage under the state health plan [Blue Cross Blue Shield Dakota Plan and Dakota Retiree Plan] even if the employer is not participating in the state health plan prior to the member's retirement if the member is enrolled during eligible "qualifying events".

Contributions:

Employer Contribution: 1.00% of covered payroll

Benefit Formula: \$4.50 x Years of Credited Service

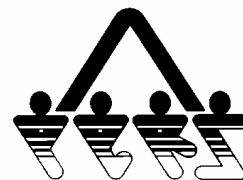
BENEFITS AT RETIREMENT:

Retiree Health Credit Options: Single Life
Joint & Survivor 50% & 100%

Foot Note: Summary of Total Retirement Contributions discussed on Pages 1-4:

TOTAL REQUIRED EMPLOYEE CONTRIBUTION:	4.00%
TOTAL REQUIRED EMPLOYER CONTRIBUTION:	<u>5.12%</u>
TOTAL REQUIRED RETIREMENT CONTRIBUTION:	9.12%

Deferred Compensation 457 Plan



Supplemental Retirement Program

The Deferred Compensation Plan is a voluntary supplemental retirement plan for eligible employees of participating governmental agencies. The plan is set up under Section 457 of the Internal Revenue Code. This program permits you to make pretax deductions from your salary with the intent to receive the deferred amount at a later date, such as retirement. Neither the amount deferred to your investment account nor the income nor gains on those investments are taxable until you begin to withdraw money from the account.

Eligibility:

Eligible employees are those employees who are at least 18 years of age, work at least 20 hours per week for 20 or more weeks per year, and whose positions are regularly funded and not of limited duration (i.e., permanent).

Enrollment:

To participate in the plan, you must select and contact an eligible investment provider. The provider representative will assist you in completing the required forms to open an account. Eligible employees may enroll in the plan at any time. Providers of investment services for the Deferred Compensation Plan are as follows:

ING/Aetna Investment Services, INC.	Nationwide Life Insurance Co.
Bank of North Dakota	NDPERS Companion Plan
The Equitable	Safeco Life
Hartford Life Insurance Co.	Sunset Life Insurance Co.
Jackson National Life	VALIC
Zurich Life	Waddell & Reed Financial Services

Contributions: The annual minimum deferral is \$300 (\$25 a month). The maximum contribution limit for 2004 is \$13,000 and will increase annually based on the following schedule:

Year	2005	2006
Contribution Limits	\$14,000	\$15,000

After 2006, the limit will be indexed in \$500 increments.

The annual maximum you may defer is based upon the annual limits indicated on the maximum allowable deduction schedule or 100 percent of your includible compensation, whichever is less. The maximum you may defer is affected by your contributions to another Section 457 deferred compensation plan, or employee contributions to your regular retirement plan which are paid by your employer under an IRC Section 414(h) salary reduction arrangement.

Example

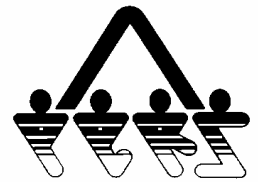
Gross Pay	\$25,000
Less: 414(h) contributions	<u>1,500</u>
Includible compensation	\$23,500
	<u>100%</u>
	\$23,500 or the annual maximum limit, whichever is less
Maximum Annual Deduction	<u><u>\$13,000</u></u>

An election to begin a deferral, or to make any changes in your deferral amount, must be made in the month prior to the month in which the salary is earned.

Distributions: The funds are available upon separation from employment, which includes retirement, disability, death, resignation, or discharge. The funds are taxed when distributed to you. If you die before beginning distribution or receiving the total amount in the deferred compensation account, the account will be paid to your designated beneficiary.

You may withdraw your account prior to separation under two circumstances. In the event you have an unforeseeable emergency, you may apply for a financial hardship withdrawal subject to the approval of the NDPERS Board. A financial hardship is defined as an unforeseeable emergency resulting from a sudden and unexpected illness or accident occurring to you or one of your dependents, loss of your property due to casualty, or other similar extraordinary and unforeseeable circumstances arising as a result of events beyond your control. A lump sum deminimus distribution is also permissible if the total value of your account(s) is less than \$5,000, you have not contributed to the plan in the preceding two years, and you have not previously received a distribution of this nature from the plan.

Group Health Insurance "Dakota Plan"



Underwritten by:
Blue Cross Blue Shield of North Dakota

Eligibility:

Eligible employees are those employees who are at least 18 years of age, work at least 20 hours per week for 20 or more weeks per year, and whose positions are regularly funded and not of limited duration (i.e., permanent).

Enrollment Period:

You have an initial enrollment period of 31 days from your date of employment. Applications received within the enrollment period will be accepted with no restrictions or limitations for you and any eligible dependents. Coverage will be effective the first of the month following your hire date.

If you do not enroll during the initial 31 day eligibility period when hired or do not enroll within 31 days of a qualifying event, you may apply for coverage during the Annual Enrollment Season [October 1 – November 15] with coverage effective the following January 1, however, you may be subject to a 12 month pre-existing condition period.

Preferred Provider Organization (PPO): The Preferred Provider Organization (PPO) is a group of hospitals, clinics and physicians who have agreed to discount their services to members of NDPERS. You have "freedom of choice" in selecting which physician or medical facility to use for services. No referral is needed. If you choose a provider who participates in the PPO program, you will have lower out-of-pocket expenses. PPO benefits are only available in the State of North Dakota, unless the medical facility provides services at a satellite location in another State.

Exclusive Provider Organization (EPO): The Exclusive Provider Organization (EPO) is a managed care program and encourages the use of a Primary Care Physician. You and each of your eligible family members may use any Primary Care Physician affiliated with your designated EPO provider. You may change your Primary Care Physicians at any time. The medical practices included under primary care are: General/Family Practice, Obstetrics/Gynecology, Pediatrics and Internal Medicine. If you enroll in the EPO you will have lower out-of-pocket expenses for annual deductibles and reduced co-payments for office visits and diagnostic services. Your affiliation is for one year. The plan year runs from July 1 through June 30 of the following year.

<u>Plan Features:</u>	<u>Basic</u> (Self Referral or Out-of- State)	<u>PPO</u>	<u>EPO*</u>
Deductible for All Services			
-Per Person	\$250	\$250	\$100
-Per Family	\$750	\$750	\$300
Copayment for Physician Office Visits (no limit)	\$ 25	\$ 20	\$ 15
Copayment for Emergency Room	\$ 50	\$ 50	\$ 50
Coinsurance on all covered services EXCEPT Physician Office Visits	75/25	80/20	85/15
Annual Coinsurance Maximum			
-Individual	\$1250	\$750	\$500
-Family	\$2500	\$1500	\$1000
Out-of-Pocket Maximums (Deductible and Coinsurance)**			
-Individual	\$1500	\$1000	\$600
-Family	\$3250	\$2250	\$1300

* Out-of-network coverage is at the Basic level.

**Office visit and emergency room copayments and prescription drug copayments and coinsurance are additional.

DEDUCTIBLE AND COINSURANCE

Deductible, copayments, and coinsurance maximums accrue on a "Calendar-Year" basis, January 1 - December 31.

Prescription Formulary Generic Drug			
-Copayment	\$5	\$5	\$5
-Coinsurance	15%	15%	15%
Prescription Formulary Brand-Name Drug***			
-Copayment	\$15	\$15	\$15
-Coinsurance	25%	25%	25%
Prescription Non-Formulary Drug			
-Copayment	\$25	\$25	\$25
-Coinsurance	50%	50%	50%
*** For each 34-day supply or 100 units of an authorized maintenance drug or non-prescription diabetic supplies.			

PREVENTIVE SCREENING SERVICES

The following services are paid at 100% of allowed charge. The deductible amount is waived.

Planned Screening includes these tests:	Frequency
Blood Sugar Testing (blood test used to screen for diabetes and other conditions) Total Serum Cholesterol Testing (identifies risk factors for coronary artery disease) Fecal Occult Blood Testing (test used to screen for colon cancer)	Under age 40: Once every five years. Ages 40 - 64: Once every two years. Ages 65 and over: Once a year.
Mammography Screening (test for breast tumors)	Ages 35 - 40: One service for members between the ages of 35 - 40. Ages 40 - 50: Once every 24 months. Ages 50 and over: Once a year.
Routine Pap Smear (test for cervical cancer)	Once a year.

Group Life Insurance



Underwritten by:
ING Employee Benefits

Eligibility:

Eligible employees are those employees who are at least 18 years of age, work at least 20 hours per week for 20 or more weeks per year, and whose positions are regularly funded and not of limited duration (i.e., permanent).

Enrollment:

You may enroll in the plan within 31 days of your original hire date and coverage will be effective the first day of the month following date of hire.

Increase in Coverage:

You may increase your supplemental, dependent or supplemental spouse life insurance coverage during the Annual Enrollment Season [October 1 – November 15th]. Evidence of Insurability must be approved by ING Employee Benefits for coverage to be increased on either you or your dependents. Contact your payroll department to obtain the proper application forms or visit our website at www.discovernd.com/ndpers.

Basic Life:

If your employer is participating in the NDPERS Life Insurance Program, you will receive basic life insurance coverage in the amount of \$1,300. The premium is \$0.28 a month and is paid by the employer.

Employee Supplemental Life:

You may elect to have supplemental coverage in addition to the basic life coverage of \$1,300. The first increment is \$3,700 (\$3,700 + basic of \$1,300 = \$5,000); thereafter, the supplemental increments are \$5,000 up to a maximum of \$200,000.

Dependent Life:

If you elect supplemental coverage, you are eligible to purchase dependent life insurance. This coverage is available at either a \$2,000 or \$5,000 level for your spouse and each eligible dependent. The premium is based on the employee's age and is a flat rate regardless of the number of dependents covered.

Spouse Supplemental Life:

If you elect dependent life insurance coverage, you are eligible to purchase supplemental spouse life insurance. This coverage is available in \$5,000 increments and may not exceed 50% of the total employee supplemental coverage or \$100,000, whichever is less. Evidence of Insurability is required on all spouse supplemental life over \$50,000.

Accidental Death and Dismemberment (AD&D):

The NDPERS Group Life Insurance contains an AD&D insurance benefit which will pay benefits if you lose your life, limb or sight due to accidental injury.

Accelerated Life Benefit:

The benefit is available only to active employees. It allows employees who have a terminal illness or condition to receive a portion of their life insurance benefit while they are living. A terminal condition is defined as having a life expectancy of six months or less with no reasonable expectation of recovery. The provision pays 50% of the total face amount of the life insurance with a minimum benefit of \$5,000 and a maximum benefit of \$50,000. At the present time, the accelerated life benefit proceeds are taxable income. After the accelerated life benefit is paid, the premium for the life coverage is reduced and based on the remaining amount of coverage which is payable to the beneficiary upon the employee's death.